

EXHIBIT B

PART 3

EXHIBIT 13

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out of 4 rating.

In April 1997, the Company announced its intent to acquire certain proprietary core technology from Inlet, Inc. ("Inlet," with such transaction being referred to herein as the "Inlet Technology Acquisition"). This technology is intended to serve as the basis for the Company's planned client/server, multi-authoring, dynamic site development and management products, the first of which is planned for release in the fourth quarter of 1997, at the earliest. In July 1997, the Company acquired Site/technologies/inc. ("Site", with such transaction being referred to herein as the "Site Tech Acquisition") pursuant to which the Company acquired, among other things, SiteSweeper 1.0, a Web site quality control and maintenance product. The Company is currently developing SiteSweeper 2.0, which is being designed to enable Web development and management professionals to maintain the quality and integrity of mission critical Web based business environments. The Company is planning to introduce SiteSweeper 2.0 in the third quarter of 1997, at the

amounts. See "Proprietary Rights and Licenses." The Company has made three equal cash payments to Inlet totaling \$75,000 for non-recurring engineering expenses incurred in connection with the OEM Agreement. In addition, upon the signing of the OEM Agreement, the Company made a \$50,000 payment to Inlet as a prepayment on the royalty amounts due Inlet under the OEM Agreement. The parties have agreed to credit these payments, totaling \$125,000, against the aggregate cash consideration payable to Inlet pursuant to the Inlet Technology Acquisition, subject to the consummation thereof. The OEM Agreement also provides that if the Inlet Technology Acquisition is not consummated the two parties will use their best efforts to enter into an additional agreement by December 31, 1997 for the continued exclusive rights to market, demonstrate and distribute the Inlet technologies. Although the license will remain in full force and effect in any event, the license will become non-exclusive if the additional agreement is not entered into by December 31, 1997. On June 13, 1997, the Company and Inlet also entered into a consulting agreement (the "Consulting Agreement") pursuant to which Inlet granted to the Company the right to begin customizing the source code for development use only in exchange for monthly cash payments of \$20,000 to Inlet, payable in \$10,000 installments on the first and fifteenth of each month, which shall be treated as non-recurring engineering expense by the Company. The OEM Agreement and Consulting Agreement will terminate upon the consummation of the Inlet Technology Acquisition. See "Business--Proprietary Rights and Licenses."

The parties to the Letter of Intent are currently negotiating definitive documentation relating to the Inlet Technology Acquisition. The Company expects that the definitive documentation will contain standard conditions to closing and, in any event, the obligations of Inlet will be subject to the consummation of the Offering. Although there can be no assurance that the Inlet Technology Acquisition will be consummated, the Company expects that such acquisition will be consummated shortly after the closing of the Offering.

SITE TECH ACQUISITION. On July 11, 1997, the Company consummated the Site Tech Acquisition pursuant to which the Company acquired, among other things, SiteSweeper 1.0, a Web site quality control and maintenance product. The Company is currently developing SiteSweeper 2.0, which is being designed to enable Web development and management professionals to maintain the quality and integrity of mission critical Web based business environments. The Company is planning to introduce SiteSweeper 2.0 in the third quarter of 1997, at the earliest. The Company does not intend to actively market or distribute SiteSweeper 1.0. See "Business--Products Under Development." In connection with the Site Tech Acquisition, the Company issued a total of 550,029 shares of Common Stock with an aggregate fair value of \$638,000 on the acquisition date to the former stockholders of Site in exchange for all outstanding shares of Site. In addition, the Company also agreed to pay the specified royalties on sales of certain products developed from the technologies acquired from Site. See "Business--Proprietary Rights and Licenses."

As part of the Site Tech Acquisition, Stephen Mendel, a member of the board of directors of Site, was appointed as a member of the Company's Board of Directors. In addition, the Company has granted certain registration rights with respect to the 550,029 shares of Common Stock paid to the former Site stockholders. See "Description of Capital Stock--Registration Rights."

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the Web introduced in July 1996; QuickSite Developer's Edition, its enhanced version of QuickSite for Web site developers and corporate Intranet developers introduced in September 1996; and QuickSite 2.5, its updated version of QuickSite 1.0, introduced in May 1997. In addition, the Company currently plans to develop and market a family of products targeted at the SMB and enterprise department user markets for scalable Web site development and management software solutions, including SiteSweeper 2.0 an updated version of SiteSweeper 1.0 acquired in the Site Tech Acquisition (planned for release in the third quarter of 1997, at earliest), and a client/server, multi-authoring, dynamic site development and management product based on the technology to be acquired in the Inlet Technology Acquisition (planned for release in the fourth quarter of 1997, at the earliest). The Company's future operating results are dependent on the commercial acceptance of the products targeted at the SMB and enterprise department user markets and the size of these targeted markets. There can be no assurance that

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the Company's strategy of targeting the SMB and enterprise department user markets will be successful, that the Inlet Technology Acquisition will be consummated, that the Company can successfully manage the introduction and distribution of new versions of its existing Internet software products or any other potential Internet software products, or that any of its existing or potential products will achieve significant market acceptance. Failure of any of the Company's existing or potential products (particularly those targeted at the SMB and enterprise department user markets) to achieve significant market acceptance would have a material adverse effect on the Company's business, financial condition and results of operation. See "--Risks Associated with Inlet Technology Acquisition and Site Tech Acquisition; General Acquisition Risks," "--Distribution Risks; Substantial Reseller Customer Concentration," and "Business--Strategy, --Products and --Sales and Marketing."

The Company's future operating results will also depend on the continued emergence of the Internet software product market, which continues to evolve. There can be no assurance that the Internet software market will continue to develop at historic growth rates or that further market development will be rapid enough or in areas that will benefit the Company. In addition, there are a number of potential approaches to Internet software products, including Internet software products incorporated into network operating systems or other software. Therefore, even if Internet software products gain broader market acceptance, there can be no assurance that the Company's products will be chosen by organizations which acquire Internet software products. See "Risk Factors--Risk of Inclusion of Internet Software Tool Functionality in Other Software."

RISKS ASSOCIATED WITH INLET TECHNOLOGY ACQUISITION AND SITE TECH ACQUISITION; GENERAL ACQUISITION RISKS

In an effort to capitalize on the emerging opportunities in the SMB and enterprise department user markets for scalable Web site development and management software solutions, the Company consummated the Site Tech Acquisition in July 1997 and has entered into the pending Inlet Technology Acquisition. The Company currently plans to introduce SiteSweeper 2.0, an updated version of the SiteSweeper 1.0 product acquired in the Site Tech Acquisition (planned for release in the third quarter of 1997, at the earliest), and a client/server, multi-authoring site, dynamic development and management product based on the technology to be acquired in the Inlet Technology Acquisition planned for release in the fourth quarter of 1997, at the earliest). There can be no assurance that the Inlet Technology Acquisition, which is contingent on certain closing conditions, including the closing of this Offering and the negotiation of a definitive purchase agreement and other agreements, will be consummated. Although the Company will continue to have a license to the technology to be acquired in the Inlet Technology Acquisition if the transaction is not consummated, the Company may be required to pay greater royalties and the license may be non-exclusive. Furthermore, there can be no assurance that any technology acquired in the Site Tech Acquisition or the Inlet Technology Acquisition can be successfully developed or integrated into the Company's current technology on a timely basis or at all, or that any products based on this technology will receive market acceptance. In order to market products to the SMB and enterprise department user markets, the Company must significantly increase its non-retail distribution channels. See "--Distribution Risks;

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

On June 27, 1997, the Company consummated the DeltaGraph Disposition with an effective date of May 1, 1997. On July 11, 1997 the Company consummated the Site Tech Acquisition. The accompanying Unaudited Pro Forma Statement of Operations for the year ended December 31, 1996 and the six months ended June 30, 1997 give effect to the DeltaGraph Disposition and the Site Tech Acquisition as if such transactions had occurred on January 1, 1996. The Unaudited Pro Forma Condensed Balance Sheet for the six months ended June 30, 1997 reflects the effects of the Site Tech Acquisition based on the fair market value of the acquired assets and liabilities on July 11, 1997 as if such acquisition had been consummated on June 30, 1997. Such information is provided to give the reader an understanding of the historical significance of the DeltaGraph product line and the historical Site financial information. The unaudited pro forma financial information give effect to the adjustments described in the accompanying "Notes to Unaudited Financial Information."

The unaudited pro forma financial information does not purport to represent what the Company's financial position or results of operations would have been had the DeltaGraph Disposition or the Site Tech Acquisition occurred on the date indicated or for any prior period or date. The pro forma adjustments give effect to available information and assumptions that the Company believes are reasonable. The unaudited pro forma financial information should be read in conjunction with the Company's historical financial statements and the notes thereto included elsewhere herein.

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

(1) On June 27, 1997, the Company consummated the sale of its DeltaGraph product line to SPSS, Inc. ("SPSS") with an effective date of May 1, 1997 for aggregate proceeds of \$1,310,000 in cash, of which \$910,000 is attributable to the sale of the DeltaGraph product line and \$400,000 is attributable to services to be rendered by the Company pursuant to an interim management agreement (the "Management Agreement") between the Company and SPSS. The Company received \$910,000 on June 30, 1997 pursuant to the sale. The Company has deferred recognition of the \$400,000 until completion of all obligations to SPSS.

On July 11, 1997, the Company acquired the shares of Site/technologies/inc. ("Site") for an aggregate purchase price of \$638,000. The purchase price was comprised of a cash payment of \$60,000, issuance of 550,029 shares of the Company's Common Stock valued at \$721,913 less 30% applicable to the shares to account for the fact that they will be restricted for a period of time and assumed debt/ liabilities of \$73,000. In exchange the Company acquired all the outstanding shares and assets of Site. The Company will record the expense related to purchased in-process technology of approximately \$500,000 during the third quarter of 1997. This amount has been excluded from the pro forma statements of operations due to its non-recurring nature.

(2) The sale of DeltaGraph was consummated on June 27, 1997. Accordingly, the balance sheet at June 30, 1997 (included elsewhere herein) includes the effect of the DeltaGraph Disposition.

The pro forma condensed balance sheet reflects the effects of the acquisition of Site based upon the fair market value of the acquired assets and liabilities on July 11, 1997, as if such acquisition had been consummated on June 30, 1997:

a. Decrease in cash:

• [Download Table](#)

Cash acquired from Site.....	\$ 36,000
Acquisition costs.....	(60,000)

Net decrease in cash.....	\$ (24,000)

b. Increase in accounts receivable is equal to Site's accounts receivable of \$8,000 at July 11, 1997 which the Company acquired.

c. Increase in property and equipment is equal to Site's property and equipment of \$67,000 at July 11, 1997 which the Company acquired.

d. Increase in deposits and other assets:

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The Company is developing a family of products designed to enable Web site developers to easily and cost-effectively develop, manage, integrate, deploy and maintain robust Web-based applications using a structured approach. The Company's scalable Web site development and management products are being designed to utilize an advanced product design featuring a database architecture and incorporate a series of "wizards" that guide the site developer through a "point and click" process that results in a completed, fully linked Web site structure in minutes.

The Company's database design is intended to enable the automatic generation and maintenance of links between Web pages, eliminating or reducing the need for programmer or technical intervention. Additionally, this approach is intended to enable all components of an entire Web site to be captured, collected and easily managed as fully indexed data objects within the database engine. The Company

believes that its database approach to Web site development and management provides fundamental advantages over existing page creation methodologies as the volume and complexity of content contained in the Web sites increases and the propagation of pages are expanded through multiple tiers of servers in larger organizations.

The Company's scalable Web site development and management tools are designed to work either with full client-side functionality, to free the site designer from costly server connection time during the site creation and testing process, or as a client/server environment supporting multi-authoring capabilities in a group development environment. Further, these products are designed to utilize an open architecture that provides Web browser and Web server independence.

STRATEGY

The Company's objective is to be a leading provider of scalable Web site development and management software solutions for Web based business environments. The Company's strategy for achieving this objective includes the following elements:

BROADEN PRODUCT OFFERINGS. The Company intends to identify and develop, license or acquire technologies or products to extend product functionality and market position in two areas: Web site creation and deployment and Web site management and interoperability. In the area of Web site creation and deployment, the Company intends to continue expanding the range of the pre-designed templates, graphics, forms, WYSIWYG (What You See Is What You Get) layout editor, HTML editor and wizards contained within the QuickSite product.

In the area of Web site management and interoperability, the Company expects to continue to update and enhance the development, interoperability and management features of its products to support a broader level of functionality. Towards that end, and to capitalize on the emerging opportunities in the SMB and enterprise department user markets for scalable Web site development and management software solutions, the Company has agreed to acquire from Inlet certain proprietary core technology which is intended to serve as the basis for the Company's planned client/server, multi-authoring site, dynamic development and management products, the first of which is planned for shipment in the fourth quarter of 1997, at the earliest. In July 1997, pursuant to the Site Tech

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Acquisition, the Company acquired, among other things, SiteSweeper 1.0, a Web site quality control and maintenance product. The Company is currently developing SiteSweeper 2.0, which is being designed to enable Web development and management professionals to maintain the quality and integrity of mission critical Web based business environments. The Company is planning to introduce SiteSweeper 2.0 in the third quarter of 1997, at the earliest. See "Corporate Developments" and "--Products Under Development."

EXPAND TARGET MARKETS. To date, the Company's Internet software products have been targeted at individuals and SOHO professionals. However, the scalable design of the Company's planned family of Web site development and management products should enable such products to be used by the individual or SOHO professional in a desktop environment that publishes the finished Web site on a remote Web

PRODUCTS UNDER DEVELOPMENT

The Company's two principal products currently under development are based on the technologies acquired in connection with the Site Tech Acquisition and the pending Inlet Technology Acquisition. These products initially will be targeted at the SMB and enterprise department user markets.

SITESWEEPER. In July 1997, the Company acquired SiteSweeper 1.0, its underlying technologies and additional Internet-related technologies through the Site Tech Acquisition. See "Corporate Developments." SiteSweeper 1.0, originally released in October 1996, is a quality control tool. The Company does not intend to actively market or distribute SiteSweeper 1.0. The Company is developing and plans to introduce SiteSweeper 2.0, an updated version of SiteSweeper 1.0, in the third quarter of 1997, at the earliest. SiteSweeper 2.0 will be a quality control tool available for Web professionals (including those who support the

SMB and enterprise department user markets) that automates time-consuming quality assurance tasks, allowing the Webmaster to identify potential problems quickly and easily. SiteSweeper 2.0 is being designed to (i) "sweep" Web sites using standard Internet protocols, allowing a sweep of both static and dynamic pages; (ii) secure Web pages that require a user name and password; and (iii) permit the Webmaster to include or exclude specific pages, or entire folders, on any number of Web servers.

SiteSweeper 2.0 is being designed to incorporate the following functions:

QUALITY REQUIREMENT EXAMINATION. SiteSweeper 2.0 is being designed to examine a Web site searching for problems that impact the quality and integrity of the Site. SiteSweeper 2.0 is designed to check for broken links, slow pages, missing "Alt" attributes, missing "Width" or "Height" attributes, distorted images, missing or duplicate titles, and missing meta-tags. These functions are being designed to allow the Webmaster to identify specific quality requirements for each problem area. For example, it is expected that the Webmaster may designate the desired connection speed of typical users (for example, 28.8K bps or ISDN) and the longest acceptable page download time at that speed, with SiteSweeper 2.0 then reporting to the Webmaster how well that site meets the specified quality requirements.

COMPREHENSIVE REPORTS. SiteSweeper 2.0 is being designed to generate reports that identify potential quality problems. Additionally, it is expected that a summary showing how well the site meets each quality requirement, will be displayed graphically, using a series of easy to understand charts. A detailed listing of specific problems will also be provided for every page in the site.

In addition, SiteSweeper 2.0 is expected to provide the Webmaster with information necessary for site management and maintenance. This is expected to include a detailed listing of all of the components that make up a given page, as well as a complete list of links to and from each page, usage of various resource types, link status codes, external links, and images. SiteSweeper's reports are designed to be HTML-based and compatible with widely used Web browsers. The reports are designed to use Java-based charting and visual navigation technology, based on Javascript.

EXTENSIBLE ARCHITECTURE. SiteSweeper 2.0 is being developed upon a robust modular software architecture, using components that are both re-usable and extensible. SiteSweeper 2.0 is being designed to use a true multi threaded web

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out of 4 rating.

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As part of the Site Tech Acquisition, Stephen Mendel, a member of the board of directors of Site, was appointed as a member of the Company's Board of Directors. In addition, the Company has granted certain registration rights with respect to the 550,029 shares of Common Stock paid to the former Site stockholders. See "Description of Capital Stock--Registration Rights."

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RISKS ASSOCIATED WITH INLET TECHNOLOGY ACQUISITION AND SITE TECH ACQUISITION; GENERAL ACQUISITION RISKS

In an effort to capitalize on the emerging opportunities in the SMB and enterprise department user markets for scalable Web site development and management software solutions, the Company consummated the Site Tech Acquisition in July 1997 and has entered into the pending Inlet Technology Acquisition. The Company currently plans to introduce SiteSweeper 2.0, an updated version of the SiteSweeper 1.0 product acquired in the Site Tech Acquisition (planned for release in the third quarter of 1997, at the earliest), and a client/server, multi-authoring site, dynamic development and management product based on the technology to be acquired in the Inlet Technology Acquisition planned for release in the fourth quarter of 1997, at the earliest). There can be no assurance that the Inlet Technology Acquisition, which is contingent on certain closing conditions, including the closing of this Offering and the negotiation of a definitive purchase agreement and other agreements, will be consummated. Although the Company will continue to have a license to the technology to be acquired in the Inlet Technology Acquisition if the transaction is not consummated, the Company may be required to pay greater royalties and the license may be non-exclusive. Furthermore, there can be no assurance that any technology acquired in the Site Tech Acquisition or the Inlet Technology Acquisition can be successfully developed or integrated into the Company's current technology on a timely basis or at all, or that any products based on this technology will receive market acceptance. In order to market products to the SMB and enterprise department user markets, the Company must significantly increase its non-retail distribution channels. See "--Distribution Risks;